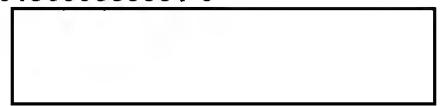


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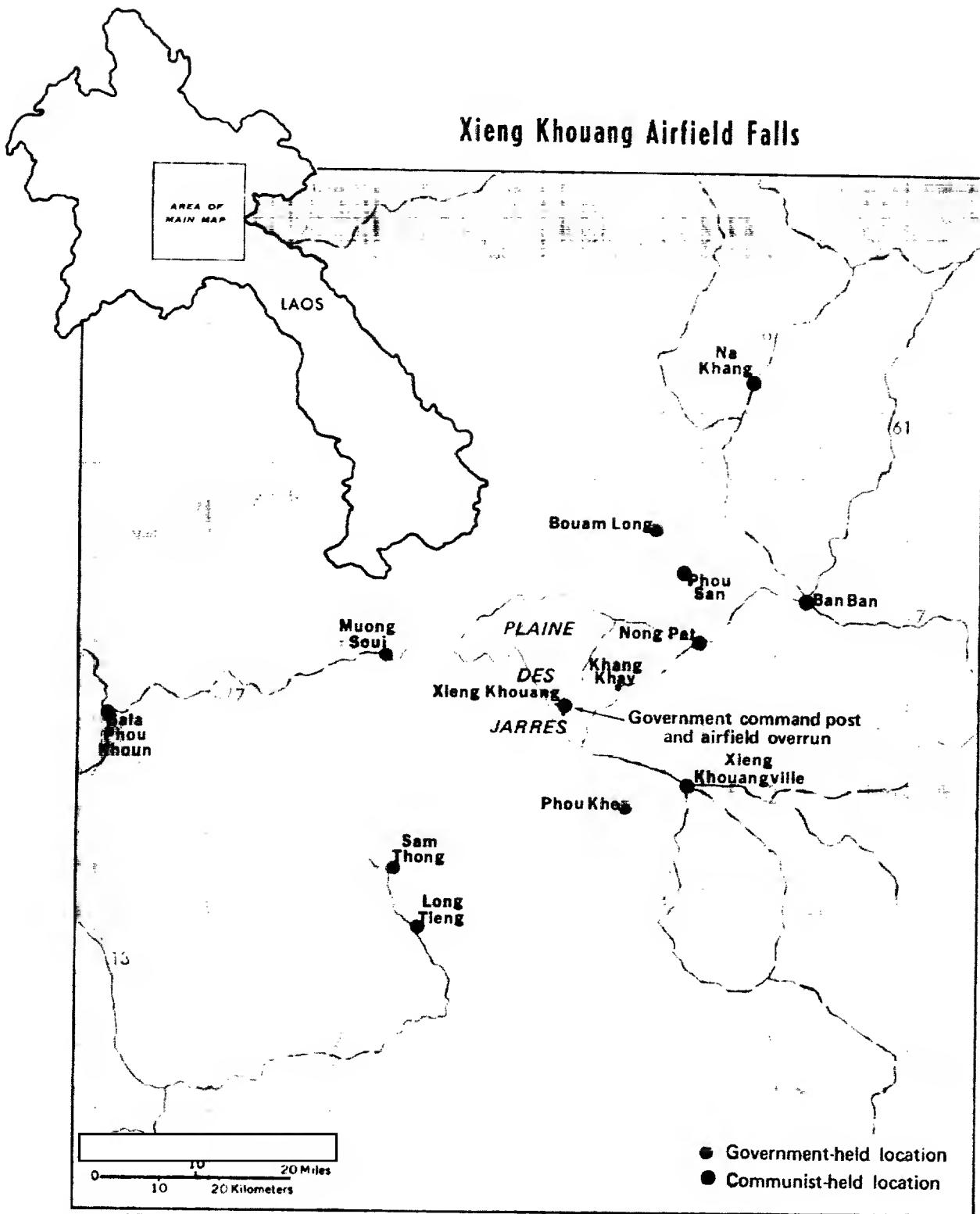
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*Laos: The Communists have overrun Xieng Khouang.

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[redacted] a major Communist ground assault in the early morning of 21 February captured the command post and the airfield. Heavy tactical air strikes have been directed at Communist positions in the Xieng Khouang area. Pilots report receiving intense ground fire.

[Following the loss of the airfield, government forces began to withdraw in an orderly manner toward the western edge of the Plaine des Jarres. All government troops are expected to be off the Plaine by this afternoon.]

The loss of the base will have an adverse impact on the always fragile morale of the Meo and General Vang Pao. In recent days, Vang Pao has put considerable emphasis on holding the position, which he has not only considered defensible but also a key to the tactical situation in the Plaine des Jarres. With its casualties already numbering close to 2,500 since the Laotian Plaine des Jarres offensive began last August, Vang Pao's weakened force can ill afford more heavy losses. [redacted]

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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Japan-USSR: The annual talks on economic cooperation have ended without breaking any new ground.

No new deals to exploit Siberian resources were concluded. The communique issued is largely a review of possible future joint Siberian projects and meager past accomplishments. Japanese editorials commented that Japanese businessmen have lost their enthusiasm for cooperating in Siberian resource development.

The major problem continues to be differences over the scope of possible joint ventures in Siberia. The Soviets envision ambitious long-term projects financed largely with Japanese capital. The Japanese simply want short-term deals aimed at increasing and diversifying their supplies of raw materials. The two countries have thus far been successful in getting one Siberian scheme under way. This involves the development of timber resources on the Amur River under a 1968 pact.

The talks did result in a Japanese agreement to supply plans for a Soviet port at Nakhodka, 60 miles southeast of Vladivostok. Transportation has been a bottleneck to Japanese-Soviet trade, and the proposed \$300-million port project, first suggested at the last annual meeting, would be a significant improvement if remaining problems on financing can be worked out.

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Bolivia: Pressure is growing for the nationalization of a US mining company.

The Matilde Mining Corporation, which is jointly owned by Philips Brothers and US Steel, has been the target of attacks from members of the Ovando government as well as from political leaders. The leftist minister of mines and energy, Marcelo Quiroga, reportedly has been arguing for nationalization of the zinc mining company. The moderate finance minister has a personal grudge against the company and might favor nationalization even though it would have an unfavorable impact on the economy.

Ovando has been attacked by both the left and the right for his failure to define clearly his political line. The nationalization of Matilde would probably divert the attention of the left for a while and serve as an indicator of where Ovando is likely to seek political support in the future. In any case, the company's long-term outlook is dim in view of President Ovando's repeated statements that minerals industries should be in Bolivian hands.

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Mexico - Communist China: Mexico plans to send a delegation to Peking next month to try to secure Chinese recognition of Latin America as a nuclear-free zone.

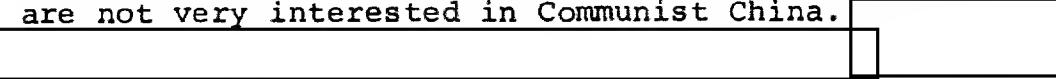
Mexico apparently has received indications that Peking might ratify Protocol II of the Treaty of Tlatelolco, which requires a guarantee of Latin America as a nuclear-free zone by the five nuclear powers. Only the UK has ratified the protocol; the United States has signed, but not ratified it. Although Peking has rebuffed overtures regarding the treaty in the past, the Mexicans claim that the initiative for the visit originated with the Chinese.

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The only Chinese Communist representation in Latin America is a small trade mission in Santiago, Chile; the New China News Agency has offices in several countries. In general, the Latin Americans are not very interested in Communist China. [redacted]

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Turkey: There is still no clear indication whether Prime Minister Demirel will be able to form a majority or coalition government, or will recommend new elections. Political observers in Istanbul now give him a better than even chance of regaining a majority, although he was still nine votes short at last count. Top national and provincial leaders of the Justice Party have been scheduled for some time to meet in Ankara this weekend. They are certain to try at least to gloss over the long-standing intraparty differences that threaten to damage the party's broad national appeal. [redacted]

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Hungary-Peru: An agreement to extend a \$15-million credit to Peru was signed in Lima on 18 February, according to a press report. The agreement, signed by banking officials of the two countries, probably will be used to finance the import of Hungarian goods, particularly mining equipment. Considerable interest in expanding commercial relations has been shown by the two countries since the conclusion of a trade agreement in July 1968, although no significant trade has yet developed. Peru, however, did contract to purchase slightly over \$3 million worth of Hungarian mining equipment last August. [redacted] according to press reports from Budapest.

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Bolivia: Rumors of a military coup, spurred by a four-day conference of armed forces leaders in La Paz, are circulating throughout the country. The various rumors have involved moves from both the left and the right, and all of the top army leaders have been mentioned as possible leaders of a coup to oust President Ovando. The foreign minister told the US ambassador on Thursday that the annual conference of military unit commanders was being briefed by each of the cabinet ministers on government actions and policies. This would appear to be an attempt to placate the military leaders, who have been pressing Ovando to remove the leftist civilians from his cabinet.

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UN: The Arab-Soviet attempt to deny renewal of consultative status at the UN for the Coordinating Board of Jewish Organizations (CBO) has been rejected. The favorable decision for the CBO occurred after considerable debate on its generally sympathetic attitude toward Israel and its complaints against mistreatment of Jews in the USSR. Some of the favorable votes were accompanied by remarks that "political" statements of consulting groups would be watched closely in the future. Such threats could intimidate consulting groups from speaking out on matters of interest to them, especially in the human rights field.

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